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This Notice Expires ~~1 July 1984~~ 1 JAN. 1985

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MANAGEMENT

HN 7-14-1
6 December 1983

INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROL DIRECTIVE

STAT (To be Published at a Later Date)

1. The purpose of this notice is to share with you my interest in and commitment to the effective application of the Agency systems of internal accounting and administrative controls and to carry out my responsibilities under the Federal Managers' Financial Integrity Act of 1982. These responsibilities include both those assigned to me as Director of Central Intelligence (DCI) and as head of the Central Intelligence Agency as well. Although policy independent of the Agency, the National Intelligence Emergency Support Office (NIESO) and the Intelligence Community Staff (ICS) receive overall administrative and financial operations support from the Agency and are governed by and derive their administrative authority from the statutes, Executive orders, directives, regulations, and procedures applicable to the Agency. This notice will be issued as a permanent regulation at the earliest possible time. It is effective immediately.

2. The objectives of the Agency internal accounting and administrative control systems are to provide management with reasonable, but not absolute, assurance that financial and other resources are safeguarded from unauthorized use or disposition; that transactions and operations are authorized and approved appropriately; that financial and statistical reports and records are timely, accurate, and reliable; and that resources are managed efficiently and effectively.

3. The President and the Congress have shown a keen interest in this subject as evidenced by the enactment of the Federal Managers' Financial Integrity Act of 1982 (PL 97-255, approved 8 September 1982). That act requires the head of each Executive department and agency to report annually to the President and to the Congress on the effectiveness of the agency's systems of internal accounting and administrative control.

4. The Central Intelligence Agency has a long and proud history of effective management and adherence to law and policy. The nature of our business requires that we have strong internal accounting and administrative control systems and a high degree of disciplined compliance with those systems. We therefore need to make only minor changes to comply with the act.

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5. The following paragraphs define internal controls, describe the internal accounting and administrative control systems of this Agency, and set forth the policy and procedures by which control systems are to be reviewed and reported by senior officials. These reports will culminate in corrective action wherever necessary and will form the basis of my annual report to the President and the Congress.

a. Internal Controls Defined

(1) Internal control is the plan of organization and all of the methods and procedures the management of an entity adopts to ensure that:

(a) Activities are conducted in accordance with applicable laws, regulations, and policies.

(b) Information is recorded and reported properly.

(c) Resources are safeguarded against loss due to errors and deliberate acts of wrongdoing.

(d) Activities are carried out with due regard for economy, efficiency, and effectiveness.

(2) Internal controls do not require separate systems within an entity. On the contrary, they should be an integral part of the management system which is established to operate programs.

b. Agency Internal Accounting and Administrative Control Systems

(1) The Agency's organizational structure and the regulatory system are essential components of its internal accounting and administrative control systems. The Director of Central Intelligence and the Deputy Director of Central Intelligence (DDCI) assign authority and responsibility to the Executive Director; the Director of ICS; the Director of NIESO; the Deputy Directors for Operations, Intelligence, Science and Technology, and Administration; and the Heads of Independent Offices. These managers are responsible for activities within their organizations and are expected to direct officials at descending levels of management in the specific methods and procedures to be used in discharging the responsibilities of the lower level components. The internal control systems also have a built-in series of checks and balances through the assignment of specific Agency-wide functional responsibilities to such senior Agency officials as the General Counsel and the Directors of Personnel, Security, Finance, and Logistics. These divisions

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of responsibility provide a control over limited resources to ensure their proper use and help to identify any negligence, carelessness, and inefficiency which may occur. Performance appraisals for employees having significant management responsibility will contain appropriate comments on execution of assigned internal control duties.

(2) The internal accounting and administrative control systems are not limited to financial activities and resources but apply with equal force and importance to the acquisition and use of personal services, property, and contractual services required for the execution of program activities throughout the Agency.

(3) The internal accounting and administrative control systems are further strengthened by:

(a) Employees who, under the provisions of , are responsible for reporting any instance in which the employee has reason to believe that: STAT

(1) Government funds are being obligated or expended contrary to policies set forth in regulations;

(2) Past, current, or proposed activities might be construed to be illegal, improper, questionable, or not authorized by applicable law, Presidential directive, Executive order, or regulation;

(3) Instructions received in any way appear to be illegal, improper, or questionable; or

(4) Claims of employees or any other person are based on fraud.

(b) The independent review functions of the Office of the Inspector General to evaluate the effectiveness of internal accounting and administrative controls and to conduct inspections, audits, and investigations of activities and programs. The Inspector General also is responsible for ensuring management follow-up of findings and recommendations.

c. Policy. It is the policy of the Central Intelligence Agency to operate a system of internal accounting and administrative controls designed to ensure that:

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(1) Activities and transactions are authorized appropriately.

(2) Activities are carried out efficiently and effectively.

(3) Resources are protected against fraud, misuse, and misappropriation.

(4) Transactions are recorded and reported accurately and reliably.

(5) Recorded accountability for assets is compared with the existing assets at reasonable intervals, and appropriate action is taken with respect to any differences.

Within this policy is the express intention to be in reasonable compliance with standards prescribed by the Comptroller General for accounting, auditing, and internal accounting and administrative control systems.

d. Procedures

(1) At the close of each fiscal year and no later than 30 November, the Directors of ICS and NIESO, Deputy Directors, and Heads of Independent Offices will prepare a statement assessing the operation of internal accounting and administrative controls within their respective organizations during the fiscal year just ending. The statements for ICS and NIESO will be submitted directly to the DDCI through the Inspector General. The other statements will be submitted to the Executive Director through the Inspector General. Assuming no material weaknesses, all of the above statements will include the following:

"To the best of my knowledge, the activities taking place during FY__ within (appropriate organizational name) have been appropriately approved and carried out in accordance with law and Agency regulations. Obligations are valid and are supported in accordance with Agency regulations. Expenditures have been properly approved. Due care has been exercised to protect resources from misuse and misappropriation. Activities have been managed in an efficient and effective manner. Internal accounting and administrative controls are operational and effective." Exceptions are to be incorporated in the statement together with an explanation of proposed corrective action.

(2) The Director of Finance will file a statement as described above and will include the following:

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"To the best of my knowledge, during FY_____ revenues and expenditures applicable to operations for which the Agency is responsible were accounted for, certified and recorded so that reliable financial and statistical reports could be prepared and accountability of assets maintained." Exceptions are to be incorporated in the statement together with an explanation of proposed corrective action.

(3) The Inspector General will review these statements and indicate concurrence or nonconcurrence with their substance based upon overall perception of the effectiveness of the internal accounting and administrative control system as demonstrated by inspection and audit activities conducted during the year. The basis for any exception will be explained. In his report to the DCI, the Inspector General will provide relevant comments and recommendations regarding changes, enforcement of controls, and compliance with Comptroller General standards. The Inspector General will send the appropriate statements to the Executive Director and DDCI for their review and recommendations to me. My report to the President and the Congress will include NIESO and ICS and be issued no later than 31 December as required by law.

William J. Casey
Director of Central Intelligence

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